

COMPARISON OF ACTUAL INVESTMENT TO BCM2 & CPM

Investment per line in Dollars

WC #	SWBT ACTUAL STUDY	Preliminary BCM2 Results	BCM2 as a Percent of ACTUAL	Preliminary CPM Results	CPM as a Percent of ACTUAL
106	2,266.71	1,191.42	52.56%	1,115.12	49.20%
107	1,733.35	2,592.71	149.58%	1,778.06	102.58%
108	1,800.23	1,528.80	84.92%	1,482.76	82.37%
109	2,682.17	1,838.55	68.55%	2,042.13	76.14%
110	5,299.36	5,069.01	95.65%	6,983.20	131.77%
111	3,235.70	2,774.83	85.76%	2,294.70	70.92%
112	868.59	1,180.69	135.93%	1,436.69	165.41%
113	1,369.35	2,686.64	196.20%	2,761.08	201.63%
114	2,169.90	1,300.76	59.95%	2,112.23	97.34%
115	3,179.94	4,418.82	138.96%	2,654.76	83.48%
116	2,694.79	1,642.96	60.97%	3,240.55	120.25%
117	874.03	2,004.62	229.35%	1,420.57	162.53%
118	1,016.09	914.01	89.95%	1,276.92	125.67%
119	1,799.67	1,723.63	95.78%	1,656.40	92.04%
120	3,561.64	2,710.79	76.11%	1,809.33	50.80%
121	1,319.44	1,116.02	84.58%	1,591.04	120.58%
122	1,307.36	1,456.87	111.44%	2,264.52	173.21%
123	779.10	909.38	116.72%	1,014.65	130.23%
124	1,165.18	797.01	68.40%	1,101.85	94.57%
125	619.10	722.54	116.71%	870.07	140.54%
126	2,049.10	1,987.45	96.99%	2,932.18	143.10%
127	3,417.65	6,352.85	185.88%	6,193.93	181.23%
128	1,008.27	843.49	83.66%	1,098.18	108.92%
129	834.71	724.23	86.76%	937.45	112.31%
130	1,663.73	1,119.60	67.29%	1,864.79	112.09%
131	1,703.47	2,101.62	123.37%	2,137.78	125.50%
132	1,876.97	3,579.18	190.69%	6,032.67	321.40%
133	945.32	959.60	101.51%	1,367.88	144.70%
134	1,829.03	1,559.66	85.27%	2,439.83	133.39%
135	5,425.22	3,179.70	58.61%	6,211.43	114.49%
136	1,772.70	1,046.84	59.05%	1,358.73	76.65%
137	1,121.80	905.04	80.68%	1,343.48	119.76%
138	1,425.28	983.23	68.98%	958.54	67.25%
139	1,628.34	1,752.69	107.64%	1,968.95	120.92%
140	2,169.21	1,358.80	62.64%	1,612.27	74.33%

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141	1,378.87	1,030.98	74.77%	1,093.98	79.34%
142	2,070.61	1,687.01	81.47%	1,435.26	69.32%
143	1,976.92	1,698.47	85.91%	1,803.56	91.23%
144	2,032.17	1,960.78	96.49%	2,582.69	127.09%
145	1,334.59	1,605.03	120.26%	1,508.31	113.02%
146	518.73	834.71	160.91%	1,327.45	255.90%
147	1,577.91	804.26	50.97%	1,181.32	74.87%
148	750.35	864.48	115.21%	1,125.40	149.98%
149	1,434.36	889.05	61.98%	1,215.86	84.77%
150	2,124.25	2,804.20	132.01%	5,680.35	267.40%
151	900.25	985.20	109.44%	1,118.67	124.26%
152	2,329.59	2,165.58	92.96%	2,194.33	94.19%
153	1,370.01	1,082.96	79.05%	1,630.32	119.00%
154	925.52	1,110.33	119.97%	1,593.07	172.13%
155	2,541.37	1,712.87	67.40%	2,423.23	95.35%
156	3,809.87	1,444.57	37.92%	1,576.76	41.39%
157	1,698.18	898.70	52.92%	1,547.79	91.14%
158	1,810.90	2,201.95	121.59%	2,908.41	160.61%
159	1,766.88	1,051.09	59.49%	1,507.60	85.33%
160	852.06	766.04	89.90%	1,067.71	125.31%
161	1,498.22	813.87	54.32%	1,466.96	97.91%
162	2,833.56	971.97	34.30%	1,207.57	42.62%
163	839.63	773.98	92.18%	1,116.93	133.03%
164	1,905.79	1,393.42	73.12%	1,224.31	64.24%
165	1,880.14	1,016.33	54.06%	1,890.48	100.55%
166	1,037.51	1,088.80	104.94%	1,250.20	120.50%
167	853.85	1,072.68	125.63%	1,447.05	169.47%
168	1,061.93	803.18	75.63%	1,073.56	101.10%
169	426.00	537.01	126.06%	952.57	223.61%
170	3,819.63	1,935.64	50.68%	5,723.27	149.84%
171	1,457.06	1,491.85	102.39%	1,698.58	116.58%
172	2,662.10	1,308.83	49.17%	1,675.86	62.95%
173	1,737.02	1,086.14	62.53%	1,521.04	87.57%
174	3,203.19	3,261.12	101.81%	5,345.03	166.87%
175	1,357.11	1,485.42	109.45%	1,731.29	127.57%

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Investment per line in Dollars

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176	762.69	974.08	127.72%	1,582.71	207.52%
177	1,992.95	1,031.48	51.76%	1,494.63	75.00%
178	1,399.53	1,240.46	88.63%	1,875.26	133.99%
179	2,770.03	2,256.27	81.45%	2,867.41	103.52%
180	1,205.88	854.60	70.87%	1,039.60	86.21%
181	2,028.38	2,420.09	119.31%	2,143.07	105.65%
182	1,195.28	918.76	76.87%	1,448.93	121.22%
183	3,386.86	2,260.83	66.75%	2,438.44	72.00%
184	1,063.30	495.48	46.60%	1,252.79	117.82%
185	2,615.30	1,667.65	63.77%	2,225.95	85.11%
186	3,033.53	3,457.00	113.96%	5,368.16	176.96%
187	1,257.07	1,006.07	80.03%	1,409.17	112.10%
188	1,983.65	1,955.28	98.57%	1,949.78	98.29%
189	1,537.52	1,127.20	73.31%	1,455.84	94.69%
190	1,306.28	908.39	69.54%	1,087.54	83.25%
191	2,199.01	1,600.12	72.77%	1,900.40	86.42%
192	1,846.14	1,219.10	66.04%	1,237.16	67.01%
193	1,578.46	921.11	58.35%	1,307.81	82.85%
194	1,467.05	1,440.88	98.22%	2,039.81	139.04%
195	4,329.99	3,018.71	69.72%	7,215.36	166.64%
196	2,770.69	1,268.45	45.78%	1,303.48	47.05%
197	1,110.18	1,091.79	98.34%	1,237.14	111.44%
198	2,489.31	1,303.93	52.38%	1,780.98	71.55%
199	1,554.33	893.91	57.51%	1,383.87	89.03%
200	1,367.02	944.66	69.10%	1,373.60	100.48%
201	4,361.88	1,757.07	40.28%	2,661.41	61.02%
202	1,596.57	2,187.77	137.03%	2,922.11	183.02%
203	964.61	1,059.43	109.83%	1,241.14	128.67%
204	3,266.83	1,368.44	41.89%	2,453.24	75.10%
205	2,267.59	2,057.25	90.72%	1,868.45	82.40%
206	837.01	908.22	108.51%	1,214.48	145.10%
207	8,008.97	4,344.88	54.25%	4,471.02	55.83%
208	958.62	952.70	99.38%	1,327.28	138.46%
209	1,049.00	974.31	92.88%	1,440.37	137.31%
210	882.66	865.84	98.09%	1,497.17	169.62%

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211	10,189.41	5,524.22	54.22%	6,303.38	61.86%
212	2,321.87	1,916.62	82.55%	2,641.82	113.78%
213	1,873.29	2,147.44	114.63%	2,977.95	158.97%
214	2,170.75	1,737.86	80.06%	2,171.15	100.02%
215	1,998.89	2,421.41	121.14%	2,589.87	129.57%
216	2,158.38	3,320.08	153.82%	3,743.97	173.46%
217	1,589.42	1,104.44	69.49%	3,863.78	243.09%
218	13,478.47	9,451.04	70.12%	11,820.29	87.70%
219	2,259.94	1,664.22	73.64%	1,534.95	67.92%
220	1,348.77	1,056.24	78.31%	1,413.80	104.82%
221	1,958.07	1,290.68	65.92%	2,006.10	102.45%
222	1,412.14	957.93	67.84%	1,040.08	73.65%
223	1,958.40	1,427.22	72.88%	1,892.83	96.65%
224	2,999.96	3,896.23	129.88%	15,001.18	500.05%
225	1,769.57	1,238.83	70.01%	1,760.84	99.51%
226	2,266.21	1,210.03	53.39%	1,438.23	63.46%
227	1,653.13	1,156.20	69.94%	8,217.01	497.06%
228	2,624.38	1,802.84	68.70%	2,505.67	95.48%
229	1,436.27	1,009.57	70.29%	1,370.23	95.40%
230	902.50	896.86	99.38%	1,109.03	122.88%
231	2,303.16	1,072.81	46.58%	1,720.42	74.70%
232	1,344.43	1,325.16	98.57%	1,480.38	110.11%
233	2,729.11	3,045.94	111.61%	4,016.67	147.18%
234	3,100.51	2,018.42	65.10%	2,741.83	88.43%
235	1,591.83	1,179.41	74.09%	1,363.85	85.68%
236	3,253.89	1,908.01	58.64%	2,877.36	88.43%
237	924.32	880.21	95.23%	1,288.14	139.36%
238	1,769.50	2,486.36	140.51%	3,002.08	169.66%
239	1,140.84	710.13	62.25%	884.37	77.52%
240	1,078.41	931.26	86.35%	1,341.88	124.43%
241	2,967.72	1,968.32	66.32%	1,272.94	42.89%
242	2,681.93	1,923.29	71.71%	3,123.32	116.46%
243	2,236.12	2,036.05	91.05%	1,442.51	64.51%
244	2,072.30	2,957.80	142.73%	2,549.28	123.02%
245	1,209.67	522.80	43.22%	1,054.88	87.20%

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246	2,265.09	1,751.11	77.31%	1,945.79	85.90%
247	1,273.06	933.77	73.35%	1,148.11	90.18%
248	1,960.68	1,900.68	96.94%	2,048.02	104.45%
249	1,561.14	1,039.65	66.60%	1,467.18	93.98%
250	1,048.07	992.70	94.72%	1,319.71	125.92%
251	2,249.83	1,318.52	58.61%	1,900.22	84.46%
252	2,549.18	1,611.58	63.22%	1,503.94	59.00%
253	1,888.55	1,544.54	81.78%	2,376.95	125.86%
254	934.61	965.79	103.34%	1,238.19	132.48%
255	1,358.87	1,855.30	136.53%	2,083.66	153.34%
256	1,095.07	1,058.97	96.70%	1,413.84	129.11%
257	2,259.57	1,694.38	74.99%	2,218.40	98.18%
258	1,865.51	1,983.19	106.31%	1,968.29	105.51%
259	1,609.56	2,219.34	137.88%	2,080.11	129.23%
260	996.47	895.97	89.91%	1,205.59	120.99%
261	1,263.31	1,054.93	83.51%	1,695.15	134.18%
262	4,124.95	4,123.00	99.95%	1,877.12	45.51%
263	1,901.68	1,628.50	85.63%	2,181.53	114.72%
264	1,737.47	1,304.48	75.08%	1,729.45	99.54%
265	1,019.36	2,320.09	227.60%	2,075.64	203.62%
266	1,692.24	2,779.55	164.25%	4,256.18	251.51%
267	2,077.16	2,147.93	103.41%	3,124.13	150.40%
268	1,098.24	1,292.69	117.71%	1,443.73	131.46%
269	912.92	861.79	94.40%	1,072.38	117.47%
270	1,185.28	653.41	55.13%	1,148.53	96.90%
271	882.42	796.18	90.23%	1,214.16	137.59%
272	1,754.40	1,169.60	66.67%	1,649.76	94.04%
273	1,750.70	1,655.62	94.57%	4,326.71	247.14%
274	2,931.43	1,290.99	44.04%	2,119.80	72.31%
275	1,954.71	2,183.64	111.71%	2,790.40	142.75%
276	1,761.05	1,023.69	58.13%	1,195.23	67.87%
277	772.86	858.05	111.02%	1,371.24	177.42%
278	1,938.55	1,589.10	81.97%	2,250.88	116.11%
279	2,272.78	1,489.67	65.54%	1,719.27	75.65%
280	1,342.95	1,118.75	83.31%	1,243.67	92.61%

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281	2,050.06	2,059.06	100.44%	2,817.05	137.41%
282	1,927.00	1,573.40	81.65%	1,770.07	91.86%
283	816.24	802.34	98.30%	1,186.50	145.36%
284	940.52	960.49	102.12%	1,255.15	133.45%
285	3,255.70	1,968.36	60.46%	2,902.25	89.14%
286	2,286.52	2,106.76	92.14%	3,144.47	137.52%
287	3,236.84	1,562.95	48.29%	1,991.46	61.52%
288	2,544.73	2,436.52	95.75%	2,074.22	81.51%
289	2,747.82	1,996.91	72.67%	1,779.36	64.76%
290	1,022.31	930.10	90.98%	1,235.90	120.89%
291	3,891.48	2,091.74	53.75%	2,611.71	67.11%
292	1,783.02	972.04	54.52%	1,093.39	61.32%
293	911.75	776.55	85.17%	1,082.61	118.74%
294	917.65	939.88	102.42%	1,288.70	140.44%
295	2,172.49	1,851.04	85.20%	1,822.52	83.89%
296	523.83	869.52	165.99%	1,048.77	200.21%
297	2,894.16	2,073.18	71.63%	2,806.67	96.98%
298	3,269.66	3,114.68	95.26%	6,245.31	191.01%
299	3,303.43	1,489.19	45.08%	2,497.90	75.62%
300	3,160.94	3,516.84	111.26%	2,346.44	74.23%
301	5,507.96	4,753.40	86.30%	8,352.85	151.65%
302	1,015.39	831.88	81.93%	1,168.15	115.04%
303	2,374.57	1,816.39	76.49%	2,302.03	96.95%
304	1,484.45	1,755.62	118.27%	1,989.78	134.04%
305	1,307.81	957.52	73.22%	1,652.96	126.39%
306	951.03	829.29	87.20%	743.44	78.17%
307	2,429.62	2,031.75	83.62%	2,926.28	120.44%
308	1,112.20	1,511.23	135.88%	1,972.83	177.38%
309	3,291.14	1,072.75	32.60%	1,634.00	49.65%
310	1,635.86	1,055.71	64.54%	1,325.97	81.06%
311	750.56	592.39	78.93%	859.82	114.56%
312	5,618.29	2,945.87	52.43%	4,456.78	79.33%
313	1,577.23	1,418.68	89.95%	1,871.12	118.63%
314	1,004.30	714.36	71.13%	1,386.54	138.06%
315	1,177.87	846.33	71.85%	1,832.34	155.56%

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316	1,766.41	1,405.89	79.59%	1,895.53	107.31%
317	1,891.88	1,527.06	80.72%	2,218.36	117.26%
318	1,443.22	1,099.63	76.19%	1,285.50	89.07%
319	2,381.28	980.76	41.19%	1,911.67	80.28%
320	983.87	1,069.47	108.70%	1,257.06	127.77%
321	1,227.25	1,503.74	122.53%	1,649.82	134.43%
322	1,519.01	1,364.45	89.82%	1,394.07	91.77%
323	666.98	970.68	145.54%	1,010.33	151.48%
324	2,439.81	1,872.01	76.73%	1,298.36	53.22%
325	1,542.99	1,136.72	73.67%	1,565.95	101.49%
326	1,793.75	1,171.00	65.28%	1,443.99	80.50%
327	1,309.90	1,054.16	80.48%	1,179.44	90.04%
328	2,431.85	2,061.63	84.78%	1,631.74	67.10%
329	1,797.08	1,423.23	79.20%	1,781.32	99.12%
330	1,434.91	1,568.20	109.29%	1,546.75	107.79%
331	2,814.43	1,959.01	69.61%	6,937.89	246.51%
332	1,431.29	974.01	68.05%	1,359.58	94.99%
333	1,904.23	1,263.80	66.37%	1,462.26	76.79%
334	3,005.37	1,963.27	65.33%	11,334.70	377.15%
335	763.64	974.00	127.55%	1,320.13	172.87%
336	1,095.45	887.43	81.01%	1,354.69	123.66%
337	1,803.08	1,155.28	64.07%	1,219.63	67.64%
338	3,027.48	3,156.38	104.26%	6,445.26	212.89%
339	1,832.26	803.70	43.86%	1,012.72	55.27%
340	1,525.24	1,012.53	66.38%	1,908.10	125.10%
341	1,670.45	1,029.51	61.63%	1,511.93	90.51%
342	738.57	859.34	116.35%	1,073.55	145.35%
343	3,251.51	2,575.03	79.19%	1,870.80	57.54%
344	4,967.91	2,371.59	47.74%	3,131.74	63.04%
345	1,455.83	2,505.78	172.12%	2,680.21	184.10%
346	2,361.42	999.60	42.33%	1,222.51	51.77%
347	1,893.56	1,159.51	61.23%	1,380.44	72.90%
348	2,236.73	936.58	41.87%	1,569.53	70.17%
349	934.48	1,044.30	111.75%	1,154.67	123.56%
350	1,712.71	2,556.41	149.26%	1,677.91	97.97%

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351	2,342.39	1,653.98	70.61%	1,467.90	62.67%
352	737.40	625.55	84.83%	1,179.59	159.97%
353	3,945.39	2,202.22	55.82%	4,183.44	106.03%
354	2,249.97	1,221.97	54.31%	1,633.08	72.58%
355	4,466.91	3,530.69	79.04%	4,789.85	107.23%
356	1,722.85	1,123.66	65.22%	1,730.73	100.46%
357	1,764.07	871.73	49.42%	1,296.14	73.47%
358	1,566.53	1,104.89	70.53%	1,523.07	97.23%
359	1,410.73	941.92	66.77%	1,455.34	103.16%
360	2,135.79	1,908.09	89.34%	2,742.16	128.39%
361	1,274.57	1,056.34	82.88%	1,376.97	108.03%
362	512.66	2,058.17	401.47%	3,012.00	587.52%
363	1,175.43	1,605.14	136.56%	1,274.72	108.45%
364	2,432.48	2,626.35	107.97%	2,723.84	111.98%
365	695.67	916.27	131.71%	1,246.62	179.20%
366	1,104.18	1,109.88	100.52%	1,376.62	124.67%
367	1,093.47	1,598.60	146.20%	1,416.17	129.51%
368	2,051.98	3,034.36	147.87%	2,342.74	114.17%
369	1,525.78	969.46	63.54%	1,773.03	116.20%
370	2,536.64	1,033.63	40.75%	1,660.12	65.45%
371	1,047.30	952.55	90.95%	1,311.09	125.19%
372	3,994.35	1,819.83	45.56%	3,287.81	82.31%
373	2,164.68	1,768.38	81.69%	2,393.13	110.55%
374	812.18	921.74	113.49%	1,267.23	156.03%
375	1,716.84	799.93	46.59%	1,174.48	68.41%
376	1,399.67	1,265.25	90.40%	1,626.18	116.18%
377	2,245.74	1,662.28	74.02%	1,745.42	77.72%
378	2,512.57	1,753.23	69.78%	2,503.27	99.63%
379	1,210.51	640.96	52.95%	1,105.68	91.34%
380	1,342.19	1,276.43	95.10%	1,596.46	118.94%
381	1,405.08	1,928.56	137.26%	2,088.66	148.65%
382	1,369.30	1,070.22	78.16%	1,288.78	94.12%
383	2,128.35	1,608.66	75.58%	2,081.92	97.82%
384	2,840.90	899.25	31.65%	1,156.46	40.71%
385	845.51	594.51	70.31%	859.71	101.68%

COMPARISON OF ACTUAL INVESTMENT TO BCM2 & CPM

Investment per line in Dollars

WC #	SWBT ACTUAL STUDY	Preliminary BCM2 Results	BCM2 as a Percent of ACTUAL	Preliminary CPM Results	CPM as a Percent of ACTUAL
386	2,045.09	1,687.30	82.50%	2,023.88	98.96%
387	1,672.69	1,129.01	67.50%	1,499.81	89.66%
388	778.18	445.53	57.25%	1,146.99	147.39%
389	1,285.54	966.76	75.20%	1,189.52	92.53%
390	2,351.54	1,875.86	79.77%	1,697.69	72.19%
391	2,047.61	2,402.99	117.36%	2,545.14	124.30%
392	1,034.82	838.21	81.00%	1,188.27	114.83%
393	1,584.86	2,123.26	133.97%	3,240.90	204.49%
394	2,692.70	2,047.29	76.03%	6,157.03	228.66%
395	1,039.61	946.80	91.07%	1,130.46	108.74%
396	1,337.54	1,138.32	85.11%	1,127.38	84.29%
397	1,161.02	840.85	72.42%	1,348.57	116.15%
398	2,437.64	1,795.60	73.66%	1,851.46	75.95%
399	4,089.00	1,711.64	41.86%	1,151.89	28.17%
400	1,202.71	1,054.64	87.69%	1,352.06	112.42%
401	5,444.81	3,658.53	67.19%	10,169.65	186.78%
402	1,434.46	1,151.08	80.24%	1,571.51	109.55%
403	874.59	857.07	98.00%	1,090.07	124.64%
404	1,109.84	975.30	87.88%	1,156.82	104.23%
405	2,120.96	1,892.02	89.21%	2,831.17	133.49%
406	1,873.00	1,394.19	74.44%	1,594.09	85.11%
407	875.10	717.35	81.97%	1,075.70	122.92%
408	1,803.71	2,251.93	124.85%	2,253.73	124.95%
409	1,901.56	938.28	49.34%	1,360.38	71.54%
410	999.90	821.42	82.15%	1,330.84	133.10%
411	909.11	1,139.03	125.29%	1,445.52	159.00%
412	1,043.31	785.25	75.26%	1,358.16	130.18%
413	2,408.44	1,606.40	66.70%	1,840.40	76.41%
414	2,107.70	1,958.35	92.91%	2,336.61	110.86%
415	1,067.13	948.30	88.86%	1,344.09	125.95%
416	515.94	1,163.91	225.59%	1,923.69	372.85%
417	738.57	433.07	58.64%	1,177.58	159.44%
418	2,165.61	2,212.96	102.19%	2,564.89	118.44%
419	1,445.14	1,410.68	97.62%	1,542.06	106.71%
420	1,537.45	979.33	63.70%	1,144.68	74.45%

A COMPREHENSIVE FEDERAL AND STATE UNIVERSAL SERVICE PLAN

- I. Fundamental principles:
 - A. Universal Service mechanisms must be designed separately for the federal and state jurisdictions. State regulators should retain the right and the flexibility to design intrastate universal mechanisms responsive to that state's particular needs.
 - B. Facilities which interconnect customers are the backbone of universal service. Incumbent local exchange providers, which are the carriers of last resort, must retain current revenue support either through explicit support or rebalancing in order to maintain the universally available network.

A COMPREHENSIVE FEDERAL AND STATE UNIVERSAL SERVICE PLAN

(continued)

II. Federal Eligibility/Qualification Criteria

- A. Offer all federal defined universal services in an area using either its own facilities or a combination of its own facilities and resale of another carrier's service.
[47 U.S.C. 214(e)(1)(A)]**
- B. Advertise the availability of the services and charges in the area using media of general distribution.
[47 U.S.C. 214(e)(1)(B)]**
- C. Such other principles as the Joint Board and the Commission determine are necessary and appropriate for the protection of the public interest, convenience, and necessity and are consistent with this Act.
[47 U.S.C. 254(b)(7)]**

A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. [47 U.S.C. 254(f)]

A COMPREHENSIVE FEDERAL AND STATE **UNIVERSAL SERVICE PLAN**

(continued)

The following additional criteria are required for competitively neutral and non-discriminatory fund distributions:

- A. Have similar regulatory obligations (i.e., meet quality of service, rate averaging, costing, etc., requirements).
- B. Receive support in the incumbent is receiving explicit support for an area. If the incumbent is not receiving explicit support, then no support barrier to entry exists. Consequently, no competitor in an area should receive support and market forces should be allowed to operate.
- C. Receive support in an area for the portion of its network for which it provides its own facilities from the switch to the customer's premise. Explicit support for resold services or facilities should not be provided to the reseller, but to the provider of the underlying facilities to the customer.

A COMPREHENSIVE FEDERAL AND STATE **UNIVERSAL SERVICE PLAN** (continued)

III. Universal Service Area.

- A. Appropriate area is wire center or exchange (study area for rural telephone companies).
 - Consistent with the current basic local service rate area.

- B. Zones as proposed by AT&T are inappropriate.
 - Create huge rural Universal Service area --- for Missouri: 19,948 square miles.
 - Would overlap numerous incumbent LEC Universal Service local rate exchange areas.

- C. Census Block Groups are inappropriate.
 - Would overlap differing incumbent LEC Universal Service local rate exchange areas.
 - Difficult to administer --- 5,059 Census Block Groups in Missouri versus 213 exchange areas.

A COMPREHENSIVE FEDERAL AND STATE UNIVERSAL SERVICE PLAN

(continued)

IV. SWBT's Proposed Federal Universal Service Plan --- Joint Board and FCC.

- A. Establish overall basic residential universal service affordability benchmark rate level --- one percent of each state's median income. For Missouri, this is \$23.90 per line per month.**
- B. Establish the federal end user common line charge as the federal portion of the overall benchmark --- currently \$3.50 for residential customers.**
- C. Restructure existing federal support [Carrier Common Line (CCL), Long Term Support (LTS)]:**
 - 1. Actual incumbent LEC interstate local exchange loop costs by exchange or wire center which are above the EUCL would be assigned to a federal fund. If actual costs by wire center are not available, disaggregate actual study area costs to exchange using proxy costs.**
 - 2. If the EUCL is increased, the federal benchmark would increase and the federal fund size would be decreased. If the EUCL is raised to the level that recovers the total LTS and CCL for the LEC, then all federal CCL and LTS support for that LEC would be eliminated.**

A COMPREHENSIVE FEDERAL AND STATE UNIVERSAL SERVICE PLAN

(continued)

3. On a revenue neutral basis, new LEC federal support revenues plus any EUCL revenue increases would be used to reduce their federal carrier common line and long term support requirements.
- D. Reduce intrastate toll rates by the level of access reductions.
- E. Increase Lifeline support to match increases in EUCL, if any.
- F. Receipt of federal support by qualified new entrants. The following options are available:
 1. Require the new entrant to cost justify its support.
 2. New entrants would receive the same level of support for facilities it constructs to customers, as received by incumbent. This would eliminate barrier-to-entry for new facilities-based local service universal service provider and continue to provide support to the incumbent LEC for its carrier of last resort responsibilities.
 3. Provide portable support at the level per line in the area received by the incumbent to the new universal service entrant where it serves a customer with its own facilities. Incumbent loses the support for the customer and for its carrier of last resort responsibilities.

A COMPREHENSIVE FEDERAL AND STATE **UNIVERSAL SERVICE PLAN**

(continued)

- G. Retain the existing USF and DEM weighting federal support programs with minor modifications as may be made by the Joint Board.
 - For non-rural LECs, distribute the existing USF support to universal service areas based on an actual cost analysis by wire center or if actual costs are unavailable by a proxy.
- H. All interstate telecommunications providers should pay into the fund based a surcharge on their retail telecommunications revenues. If EUCLs are increased for incumbents, their support funding requirement should be decreased by the amount of the EUCL increase in order to avoid recovering support twice (once from the EUCL increases and again from the surcharge) from their local customers.

A COMPREHENSIVE FEDERAL AND STATE UNIVERSAL SERVICE PLAN

(continued)

V. Intrastate Universal Service.

If the current jurisdictional responsibility for revenues and costs are maintained, then the state jurisdictions have numerous options for dealing with local exchange support included in intraLATA toll and access rates.

The plan can operate structurally very much like the Federal Plan:

- A. The state benchmark rate (the portion of the overall benchmark rate established by the Joint Board) is the local exchange rate by wire center or exchange.**
- B. Restructure access CCL and intraLATA toll local exchange support as follows:**
 - 1. Actual intrastate local exchange costs above the state rate by wire center or exchange are assigned to a state fund. If actual costs are not available, total intrastate local exchange costs may be distributed to areas based on a proxy.**

A COMPREHENSIVE FEDERAL AND STATE UNIVERSAL SERVICE PLAN

(continued)

2. If the benchmark intrastate local exchange rate is increased, the fund size will be reduced. If the local exchange rate is increased to a level which fully offsets the CCL and toll support for local, then no state fund will be necessary for these elements.¹ Differences in rate changes for small and large LECs could be tailored to state needs.
 3. On a revenue neutral basis, fund revenues plus local rate increases would be used to reduce access and intraLATA toll rates.
- C. Intrastate toll rates should be reduced by the amount of access reductions.
- D. State Lifeline should be revised to deal with local rate increases, if any.
- E. Qualified new entrants should receive support in a manner similar to that described under the Federal Plan.

¹A state fund may still be required to deal with other intrastate support (i.e., costs of toll rate averaging involving the transport interconnection charge, vertical services, etc.).

A COMPREHENSIVE FEDERAL AND STATE UNIVERSAL SERVICE PLAN

(continued)

- F. All intrastate telecommunications providers should pay into the fund based on a surcharge on their retail intrastate telecommunications revenues. If local rates are increased for incumbents, their support funding requirement should be decreased by the amount of the local increase in order to avoid recovering support twice (once from the local increase and again from the surcharge) from their local customers.

Although the plan outlined above follows the structure of the proposed federal plan, many other options to design state funds are available to State Commissioners.

COMPETITIVE BIDDING IS INAPPROPRIATE AND UNNECESSARY

ENCOURAGES GAME PLAYING TO THE DETRIMENT OF UNIVERSAL SERVICE.

- New entrant could select to serve a few cost customers in a high cost area with facilities and provide service to others with resale.
- New entrant could bid down support based on their lower facility costs.
- Support for incumbents who serve the higher cost customers would also be inappropriately reduced.

DOES NOT COMPLY WITH THE INTENT OF FEDERAL LEGISLATION AND IS HARMFUL TO THE STATE.

- Discourages competition.
- Disincentivizes economic development.
- Discourages comparable urban and rural services and rates.
- Discourages bringing advanced services to rural areas.

WOULD CREATE INSTABILITY IN RURAL AND HIGH COST AREAS.

- Continual changes in carrier of last resort obligations.
 - Who is customer to call?
- Insufficient support to maintain current obligations.

CREATES SUBSTANTIAL AND ADDITIONAL ADMINISTRATIVE BURDENS FOR COMPANIES AND REGULATORS.